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SERVICES DIVISION

**Pacific Palisades
Business Improvement District
Engineer's Report**



**Los Angeles, California
February 2015**

***Prepared by:*
Kristin Lowell Inc.**

*Prepared pursuant to the State of California
Property and Business Improvement District Law of 1994
and Article XIII D of the California Constitution
to create a property-based business improvement district*

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Attachments

A: Assessment Roll, a separate document

ENGINEER'S STATEMENT

This Report is prepared pursuant to Section 36600 et seq. of the California Streets and Highways Code (the "Property and Business Improvement District Law of 1994" as amended) (herein after "State Law") and pursuant to the provisions of Article XIIIID of the California Constitution (Proposition 218).

The Pacific Palisades Property-Based Business Improvement District ("PBID") will provide activities either currently not provided or are above and beyond what the City of Los Angeles provides. These activities will specially benefit each individual assessable parcel in the PBID. Every individual assessed parcel within the PBID receives special benefit from the activities identified under Section B of this Report. Only those individual assessed parcels within the PBID receive the special benefit of these proposed activities; parcels contiguous to and outside the PBID and the public at large may receive a general benefit, as outlined in Section E. The cost to provide general benefits, if any, will be funded from sources other than special assessments.

The duration of the proposed PBID is five (5) years, commencing January 1, 2016. An estimated budget for the PBID improvements and activities is set forth in Section D. Assessments will be subject to an annual increase of up to 3% per year as determined by the Owners' Association. Assessments must stay between 0 and 3% in any given year. Funding for the PBID improvements and activities shall be derived from a property-based assessment of each specially benefitted parcel in the PBID. A detailed description of the methodology for determining the proportional special benefit each individual assessable parcel receives from the service and the assessment for each parcel is set forth in Section F.

I hereby certify to the best of my professional knowledge that each of the identified assessable parcels located within the PBID will receive a special benefit over and above the benefits conferred to those parcels outside of the PBID boundary and to the public at large and that the amount of the proposed special assessment is proportional to, and no greater than the special benefits received.

Respectfully submitted,



Terrance E. Lowell, P.E.



SECTION A: LEGISLATIVE AND JUDICIAL REVIEW

Property and Business Improvement District Law of 1994

The State Law is the legislation that authorizes the City to levy assessments upon the real property for the purposes of providing improvements and activities that specially benefit each individual assessed parcel in the PBID. The purpose of the PBID is to encourage commerce, investment, business activities and improve residential serving uses. In order to meet these goals, PBIDs typically fund activities and improvements, such as, enhanced safety and cleaning. Unlike other assessment districts which fund the construction of public capital improvements or maintenance thereof, PBIDs provide activities and improvements "to promote the economic revitalization and physical maintenance of the business districts of its cities in order to create jobs, attract new businesses, and prevent the erosion of the business districts." (Streets and Highways Code Section 36601(b)). The improvements and activities funded through the PBID are over and above those already provided by the City within the PBID's boundaries. Each of the PBID activities or improvements is intended to increase building occupancy and lease rates, and to encourage new business development.

Specifically, the State Law defines "Improvements" and "Activities" as follows:

"Improvement" means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years..."¹

"Activities" means, but is not limited to, all of the following:

- (a) Promotion of public events which benefit businesses or real property in the district.*
- (b) Furnishing of music in any public place within the district.*
- (c) Promotion of tourism within the district.*
- (d) Marketing and economic development, including retail retention and recruitment.*
- (e) Providing safety, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.*
- (f) Activities which benefit businesses and real property located in the district."²*

Under State Law, parcels that are zoned solely residential or agricultural are presumed to receive no benefit from a PBID. There are no parcels within the District zoned solely residential or agricultural.

Article XIID of the State Constitution

In 1996, California voters approved Proposition 218, codified in part as Article XIID of the State Constitution. Among other requirements, Article XIID changes the way local agencies enact local taxes and levy assessments on real property. It states, in relevant part, that:

(a) An agency which proposes to levy an assessment shall identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed. The proportionate special benefit derived by each identified parcel shall be determined in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the property related service being provided. No assessment shall be imposed on any parcel

¹ California Streets and Highways Code, Section 36610.

² California Streets and Highways Code, Section 36613.

which exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and an agency shall separate the general benefits from the special benefits conferred on a parcel. Parcels within a district that are owned or used by any agency, the State of California or the United States shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit.

(b) All assessments shall be supported by a detailed engineer's report prepared by a registered professional engineer certified by the State of California³.

"Special benefit" means a particular and distinct benefit over and above general benefits conferred on real property located in the district or to the public at large. General enhancement of property value does not constitute "special benefit."⁴

Judicial Guidance

Since the enactment of Article XIID, the courts have rendered opinions regarding various aspects of Article XIID. The notable portions of cases that apply to assessment districts in general and this PBID in particular are noted below.

"The engineer's report describes the services to be provided by the PBID; (1) safety, (2) streetscape maintenance (e.g., street sweeping, gutter cleaning, graffiti removal), and (3) marketing, promotion, and special events. They are all services over and above those already provided by the City within the boundaries of the PBID. And they are particular and distinct benefits to be provided only to the properties with the PBID, not to the public at large—they "affect the assessed property in a way that is particular and distinct from {their} effect on other parcels and that real property in general and the public at large do not share."⁵

"...separating the general from the special benefits of a public improvement project and estimating the quantity of each in relation to the other is essential if an assessment is to be limited to the special benefits."⁶

"...the agency must determine or approximate the percentage of the total benefit conferred by the service or improvement that will be enjoyed by the general public and deduct that percentage of the total cost of the service or improvement from the special assessment levied against the specially benefitted property owners."⁷

"...even minimal general benefits must be separated from special benefits and quantified so that the percentage of the cost of services and improvements representing general benefits, however slight, can be deducted from the amount of the cost assessed against specially benefitting properties."⁸

The contents of this Engineer's Report are prepared in compliance with the above noted authorizing legislation, the State Constitution and the judicial opinions.

³ Section 4, Article XIID of the State Constitution.

⁴ Section 2 (i), Article XIID of the State Constitution.

⁵ Dahms v. Downtown Pomona Property and Business Improvement District, (2009) 174 Cal. App. 4th 708.

⁶ Beutz v. County of Riverside, (2010) 184 Cal. App. 4th 1532.

⁷ Golden Hill Neighborhood Association, Inc. v. City of San Diego, (2011) 199 Cal. App. 4th 416.

⁸ Golden Hill Neighborhood Association, Inc. v. City of San Diego, (2011) 199 Cal. App. 4th 416.

SECTION B: IMPROVEMENTS AND ACTIVITIES

Through a series of property owner meetings the Pacific Palisades Business Improvement District Steering Committee collectively determined the priority for improvements and activities to be delivered by the business improvement district. The primary needs as determined by the property owners are:

- ◆ Clean and Beautiful
- ◆ Communication and Marketing

Based upon these findings, the following improvement and activity categories are recommended for the PBID. The following narrative provides recommendations for the PBID's first year of operation. Final programs and budgets will be subject to the review and approval of the PBID Owners' Association and City Council.

CLEAN and BEAUTIFUL PROGRAM

In order to consistently deal with cleaning issues, a Clean and Beautiful Program is provided. A multi-dimensional approach has been developed consisting of the following elements. The clean team will only provide service to assessed properties within District boundaries. The special benefit to assessed parcels from these services is an increased likelihood of improved lease rates and tenant occupancy because of an increase in commercial activity and an increase in customers. Private sector contributions of \$25,000 used to fund BID establishment will be reimbursed during years one and two only and are included in the Clean and Beautiful program budget and the Communication budget. In years three through five, these funds will be used to expand the clean and beautiful budget. The special benefit to assessed parcels from reimbursing the establishment funds is the establishment of the District and the District's ability to provide clean and beautiful programs which lead to an increased likelihood of improved lease rates and tenant occupancy because of an increase in commercial activity and an increase in customers.

Sidewalk Cleaning: Uniformed, radio equipped personnel sweep litter, debris and refuse from sidewalks and gutters of the District. District personnel will pressure wash the sidewalks. Clean sidewalks support an increase in commerce and provides a special benefit to each individually assessed parcel in the district.

Trash Collection: Collector truck personnel collect trash from sidewalk trash receptacles as needed. District trucks are often called to dispose of illegal food vendors' inventory. They are also dispatched to collect stolen shopping carts and large bulky items illegally dumped in the District.

Graffiti Removal: District personnel remove graffiti by painting, using solvent and pressure washing. The District maintains a zero tolerance graffiti policy. An effort is made to remove all tags within 24 hours on weekdays.

Landscape Maintenance/Tree Lighting: Landscape maintenance and street tree trimming are important programs that work to attract increased customers to the District. Landscape maintenance includes maintaining tree wells and weed abatement. A tree lighting program on existing street trees in the public right-of-way also increases the uniqueness of the District and

increases the overall lighting within the District which works to attract more customers to the District. A well-lit and well landscaped district supports an increase in commerce and provides a special benefit to each individually assessed parcel in the district.

COMMUNICATION and MARKETING It is important to not only provide the services needed in the District, but to tell the story of improvement in the District. The special benefit to District individual assessed parcels from these services is a likelihood of increased commercial activity which directly relates to increases in lease rates and enhanced commerce. For example, a Pacific Palisades BID website will specially benefit individual assessed parcels by providing resources, such as a searchable business directory, to property and business owners. Private sector contributions used to fund BID establishment will be reimbursed during years one and two only. In years three through five these funds will be used to expand the communication and marketing budget. The special benefit to assessed parcels from reimbursing the establishment funds is the establishment of the District and the Districts ability to provide communication and marketing programs which lead to an increased likelihood of improved lease rates and tenant occupancy because of an increase in commercial activity and an increase in customers. Some of the communication/image programs being considered are:

- Quarterly Newsletter
- Pacific Palisades BID Website
- Social Media
- Customer Recruitment
- Pedestrian Use Improvement

MANAGEMENT/CITY FEES AND SLOW PAY

The improvements and activities are managed by a part time staff that requires centralized administrative support. Management staff oversees the District's services. Management staff actively works on behalf of the District parcels to insure that City and County services and policies support the District. Future costs to renew the District, conduct a yearly financial review as well as City fees, uncollectible assessments and depreciation are included in this budget item. Management staff expenses are allocated according to generally accepted accounting job costing procedures and are allocated to the specific areas in which staff works. The special benefit to assessed parcels from these services is an effective and efficient delivery of District services because of management staff oversight, an increased transparency of District programs and financial transactions which will be available to parcel owners in the newsletter and on the website, an increased likelihood of improved lease rates and tenant occupancy because of an increase in commercial activity, an increase in customers in part due to the work of the management staff as stated above. Any additional funds remaining will be spent in the Communication and Marketing, and Clean and Beautiful categories.

SECTION C: BENEFITTING PARCELS

PBID Boundary

Article XIID Section 4(a) of the State Constitution requires that the authorizing agency "Identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed".

The Pacific Palisades Business Improvement District includes all property within a boundary formed by: (Also see map on page 9)

Beginning on the northwest corner of Monument Street and Swarthmore Avenue go south on Monument Street to Bashford Street. At Bashford Street, turn east along northern parcel line of 4423-017-024. Turn south along the eastern parcel line of 4423-017-024 and parcels facing west on Monument Street and Sunset Boulevard. Go west on the southern parcel line of 4423-017-026 across Sunset Boulevard to 4411-001-019. Go west along the southern parcel line of 4411-001-019 across Alma Real Drive to 4412-009-014. Head south along eastern parcel line of 4412-009-014, then go west along the southern parcel line of 4412-009-014. Turn north along the western parcel line of 4412-009-014. Go west along the southern parcel lines of parcels facing south on La Cruz Drive. Go across Swarthmore Avenue and west along Bowdoin Street to Via de la Paz. Turn north along the western parcel line of parcels facing west on Via de la Paz then head west along the southern parcel line of 4412-004-025. Turn north along the west parcel line of 4412-004-025 and continue north to Antioch Street. At Antioch Street go west along the southern parcel line of 4412-001-017, then north along the western parcel line of 4412-001-017. Cross Sunset Boulevard to the western parcel line of 4422-022-015. Turn east along the northern parcel line of 4422-022-015 and continue east northern parcel line of parcels facing south on Sunset Boulevard to Swarthmore Avenue. Turn north along the northern parcel lines of parcels facing southeast along Swarthmore Avenue to the northwest corner of Monument Street and Swarthmore Avenue.

District Boundary Rationale

The property uses within the general boundaries of the Pacific Palisades Business Improvement District are a mix of retail, education, parking, office and public parcels. Retail parcels receive special benefit from the clean, beautiful and marketing programs in the form of an increased likelihood of an increase in customers and sales. The education parcels receive a special benefit from the clean and beautiful programs in the form of a cleaner and healthier environment around the education campuses which results in an increased likelihood of these campuses being chosen by parents for their children's education therefore providing a special benefit of increased attendance and increased income to the parcels. Office parcel properties special benefit from District services is an increased likelihood of an increase in lease rates and tenancy. Parking parcels will receive special benefit in the form of an increased likelihood of higher parking revenue. The City of Los Angeles parcel is a parking lot and will receive all the programs of the District and will be assessed the same as the privately owned parcels. The special benefit to this parcel is an increased likelihood of increased parking revenue. The Department of Water and Power parcel is a pumping station and will only benefit from the clean and beautiful programs and will only be assessed for the clean and beautiful programs. The special benefit to this parcel is increased maintenance in the form of graffiti removal and litter removal which will reduce the maintenance expense for the Department of Water and Power.

Services and improvements provided by the District are designed to provide special benefits to

the retail, education, parking, office and public parcels. All of the services provided such as the work provided by the Clean Team are services that are over and above the City's baseline of services and are not provided by the City. These services are not provided outside of the District because of the unique nature of these services focusing on the particular needs of each individually assessed property within the District. These services provide particular and distinct benefits to each of the individually assessed parcels within the District.

In order to ensure that parcels outside of the District will not specially benefit from the improvements and services funded with the assessment, improvements and services will only be provided to individual assessed parcels within the boundaries of the District. Specifically, cleaning / sanitation personnel, and similar service providers employed in connection with the District will only patrol and provide services to individually assessed parcels within the District, and will not provide services outside of District boundaries. Nor will District promotional efforts promote activities outside of District boundaries.

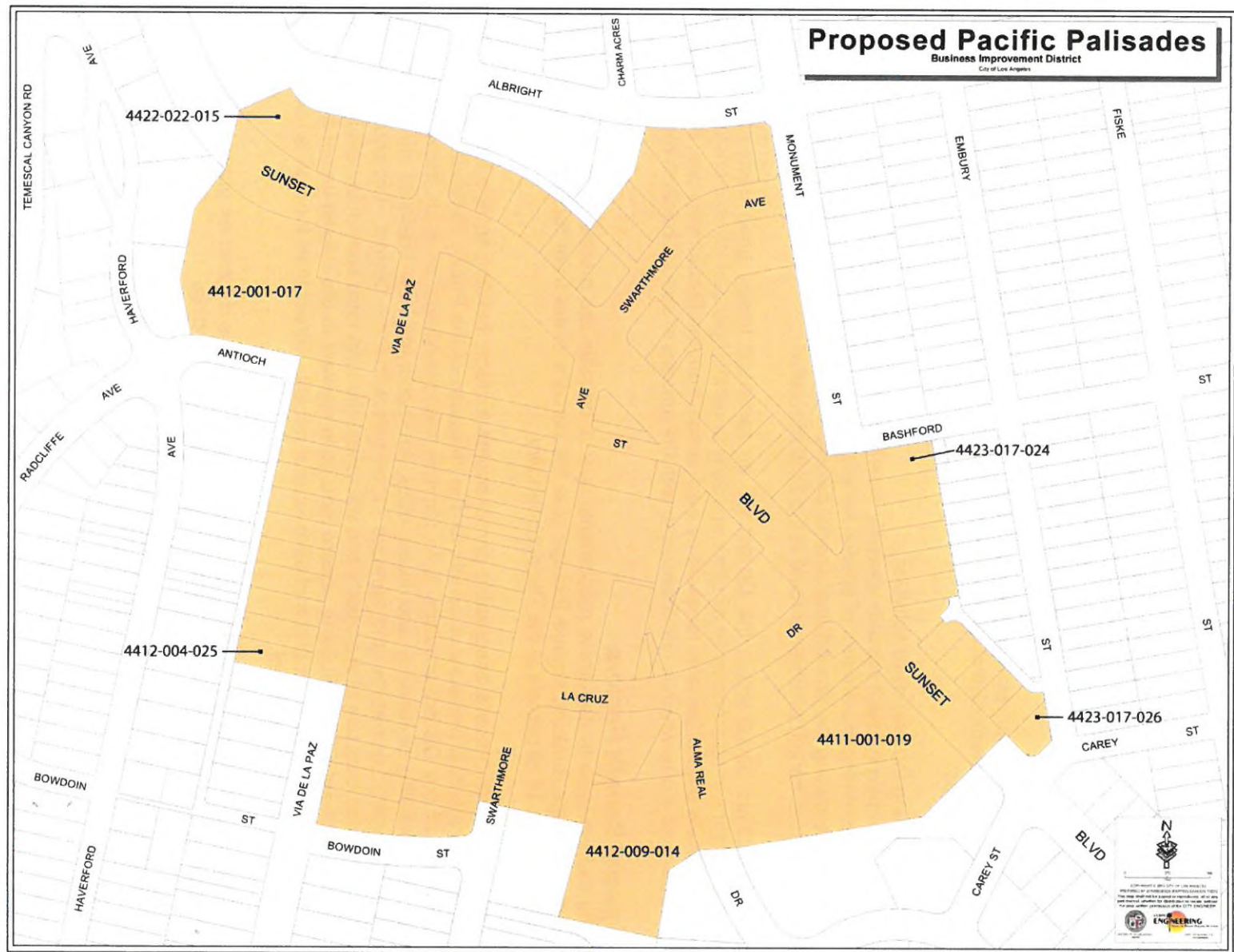
Northern Boundary: The northern boundary of the Pacific Palisades Business Improvement District was determined by the zoning and use of the parcels north of the District boundaries. The parcels north of the District boundaries are zoned solely residential and as per State of California Streets and Highways code section 36632.(c) *"are conclusively presumed not to benefit from the improvements and service funded through these assessments..."* In order to ensure that parcels outside of the District will not specially benefit from the unique improvements and services funded with the assessment, improvements and services will only be provided to assessed parcels within the boundaries of the District. Specifically, maintenance personnel, and similar service providers employed in connection with the District will only provide services to individual assessed parcels within the District, and will not provide services outside of District boundaries which are zoned solely residential.

Eastern Boundary: The eastern boundary of the Pacific Palisades Business Improvement District was determined by the zoning of the parcels east of the District boundaries and the lack of commercial business activity. The parcels east of the District boundaries are zoned solely residential and as per State of California Streets and Highways code section 36632.(c) *"are conclusively presumed not to benefit from the improvements and service funded through these assessments..."* In order to ensure that parcels outside of the District will not specially benefit from the unique improvements and services funded with the assessment, improvements and services will only be provided to assessed parcels within the boundaries of the District. Specifically, maintenance personnel, and similar service providers employed in connection with the District will only provide services to individual assessed parcels within the District, and will not provide services outside of District boundaries which are zoned solely residential.

Southern Boundary: The southern boundary of the Business Improvement District was determined by the zoning and use of the parcels south of the District boundaries. The parcels south of the District boundaries are zoned solely residential and as per State of California Streets and Highways code section 36632.(c) *"are conclusively presumed not to benefit from the improvements and service funded through these assessments..."* In order to ensure that parcels outside of the District will not specially benefit from the unique improvements and services funded with the assessment, improvements and services will only be provided to assessed parcels within the boundaries of the District. Specifically, maintenance personnel, and similar service providers employed in connection with the District will only provide services

to individual assessed parcels within the District, and will not provide services outside of District boundaries which are zoned solely residential.

Western Boundary: The western boundary of the Pacific Palisades Business Improvement District was determined by the zoning and use of the parcels west of the District boundaries. The parcels west of the District boundaries are zoned solely residential and as per State of California Streets and Highways code section 36632.(c) *"are conclusively presumed not to benefit from the improvements and service funded through these assessments..."* In order to ensure that parcels outside of the District will not specially benefit from the unique improvements and services funded with the assessment, improvements and services will only be provided to assessed parcels within the boundaries of the District. Specifically, maintenance personnel, and similar service providers employed in connection with the District will only provide services to individual assessed parcels within the District, and will not provide services outside of District boundaries which are zoned solely residential.



SECTION D: PROPORTIONAL BENEFITS

Methodology

Article XIID Section 4(a) of the State Constitution requires "The proportionate special benefit derived by each identified parcel shall be determined in relationship to the entirety of the capital cost of the public improvement, the maintenance and operation expenses of a public improvement, or the cost of the property related service being provided".

Determining the proportionate special benefit among the parcels of real property within the proposed assessment district which benefit from the proposed Improvements is the result of a four-step process:

1. Defining the proposed activities,
2. Determining which parcels specially benefit from the proposed activities,
3. Determining the amount of special benefit each parcel receives,
4. Determining the proportional special benefit a parcel receives in relation to the amount of special benefit all other parcels in the District receive.

Each identified parcel within the District will be assessed based upon each parcel's unique characteristics in relationship to all other specially benefitted parcels' characteristics. Due to the proportionate special benefits received by each parcel from the District services, each parcel will be assessed a rate which is commensurate with the amount of special benefits received.

Special Benefit Factors

The method used to determine proportional special benefits are measured by each parcel's lot square footage, building square footage plus the parcel's street front footage compared to the total footages of all parcels in the District boundary.

The use of each parcel's assessable parcel square footage, building square footage plus street frontage is the best measure of benefit for the programs of the Pacific Palisades PBID because the intent of the District activities is to improve the cleanliness of each individual parcel, to increase building occupancy and lease rates, to encourage new business development and attract ancillary businesses and services for parcels within the District. Lot square footage is relevant to the best use of a property and will reflect the long term special benefit implications of the improvement district. Building square footage is relevant to the interim use of a property and is utilized to measure short and mid-term special benefit. Street front footage is relevant to the street level usage of a parcel.

Building Square Footage Defined. Building square footage is defined as gross building square footage as determined by the outside measurements of a building.

Lot Square Footage Defined. Lot square footage is defined as the total amount of area within the borders of the parcel. The borders of a parcel are defined on the County Assessor parcel maps.

Street Front Footage Defined. Street Front Footage is defined as the front footage of a parcel that fronts a public street.

SECTION E: SPECIAL and GENERAL BENEFITS

State Law, Proposition 218, and judicial opinions require that assessments be levied according to the estimated special benefit each assessed parcel receives from the activities and improvements. Section 36615.5 of State Law states "Special benefit" means, for purposes of a property-based district, a particular and distinct benefit over and above general benefits conferred on real property located in a district or to the public at large. Special benefit includes incidental or collateral effects that arise from the improvements, maintenance, or activities of property-based districts even if those incidental or collateral effects benefit property or persons not assessed. Special benefit excludes general enhancement of property value. Section 36609.5 of the Streets and Highways Code defines general benefit for PBID activities as "any benefit that is not a "special benefit" as defined in Section 36615.5".

Article XIID Section 4(a) of the California Constitution in part states "only special benefits are assessable" which requires that we separate the general benefits, if any, from the special benefits provided by the proposed activities and improvements. Further clarification from the Golden Hill judicial opinion states that "even *minimal* general benefits must be separated from special benefits and quantified so that the percentage of the cost of services and improvements representing general benefits, however slight, can be deducted from the amount of the cost assessed against specially benefitting properties". A special benefit as defined in Article XIID and State Law means a particular and distinct benefit over and above general benefits conferred on real property located in the PBID or to the public at large.

The special benefit to parcels from the proposed PBID activities and improvements described in this Report is equal to or exceeds the total amount of the proposed assessment. Each individual assessed parcel's assessment is no greater than the special benefit it receives from the PBID services. The quantitative analysis of determining both the special and general benefit is provided separately below.

Special Benefit Analysis

All special benefits derived from the assessments outlined in this Report are for property related activities directly benefiting each individual assessed parcel in the PBID. The special benefit must affect the individual assessable parcel in a way that is particular and distinct from its effect on other parcels and that real property in general and the public at large do not share.

The PBID's goal is to fund activities and improvements to provide a cleaner and appealing environment for each individually assessed parcel as outlined in Section B with the goal of increasing pedestrian traffic and filling vacant storefronts and office space. By presenting a more attractive and vibrant destination, there is a likelihood of increased pedestrian traffic, increased business activities, increased lease rates and reduction in vacancies.

In order to achieve these goals the PBID intends to:

- Increase commerce by maintaining the appearance of each assessed parcel,
- Increase building occupancy through marketing efforts (excluding LADWP/LAUDS) for each assessed parcel,

Increase commerce by attracting and supporting business including restaurants, entertainment and retailers by maintaining the appearance and through marketing efforts (excluding LADWP/LAUDS) for each assessed parcel.

Based on the special benefits each assessed parcel receives from the PBID activities we

concluded that each of the proposed PBID activities provides special benefits to the real property within the PBID. Article XIID Section 4(a) of the state Constitution states "An agency which proposes to levy an assessment shall identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed".

All individually assessed parcels specially benefit from all the PBID activities and services. In particular, each parcel will benefit from the Clean and Beautiful activities that will make each parcel cleaner and more attractive, such as: removing graffiti from buildings, picking up trash that pedestrians leave behind, weeding and power-washing sidewalks which directly relates to increases in commercial activity, filling of vacant storefronts and offices and then ultimately, increased lease rates for retail and office space. All specially benefitted parcels will be assessed based on their proportional share of the special benefits received from the PBID activities.

Publicly Owned Parcels: All publicly-owned parcels will pay their proportional share of costs based on the special benefits conferred to those individual parcels. Article XIID of the State Constitution contemplates payment of assessments by governmental entities. Section 4(a) of Article XIID states in relevant part that "Parcels within a district that are owned or used by any agency... shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit."

Los Angeles Unified School District (LAUSD) Assessments

District parcels which are owned and occupied by LAUSD provide K through 6 education and do not receive the same level of special benefits from the District programs which are designed to meet the District goals of improving the appearance and safety of the District, to increase building occupancy and lease rates, to encourage new business development, attract ancillary businesses and services and increase the economic vitality of the retail, parking, office and public parcels as do all of the other parcels within the District. LAUSD provides education programs to students in elementary school. LAUSD students within the District do not have the same discretionary choice of where to go to get their services, in this case education, as compared to a customer of a for-profit business which has several choices of where to buy their products and services. Parents of LAUSD students make their decisions on where their children attend school based on several elements. One important element is the cleanliness of the area around the school. The cleanliness of the environment around the school helps to create the perception of a safe and controlled environment and plays a major role in school choice. The District Communication Programs are designed to provide special benefit to the retail, parking, and office uses in the form of increase in lease rates, tenant occupancy, and commercial activity, none of which are a benefit to education parcels. Education parcels will only benefit from the clean activities of the District and the management/contingency/city fees programs of the District. Education parcels will only pay their share of the District's clean and management/contingency/city fees programs.

Village Green Assessments

The Village Green, parcel # 4412-002-021, is an approximately 5000 square foot parcel in the center of the Pacific Palisades District. The parcel is a small park or green that is maintained through voluntary contributions and with voluntary labor. The Village Green will not benefit from any of the programs or activities of the District. The Village Green through its volunteers provides all of its own clean and beautiful services. No District clean and beautiful programs will be provided to the Village Green. The Village Green will not benefit from the District's marketing

programs which are designed to provide benefit to the retail and office uses in the form of attracting customers and new users to the District. No economic activity takes place on the Village Green. The Village Green parcel will not be assessed for any District activities.

General Benefit Analysis

As required by the State Constitution Article XIID Section 4(a), the general benefits of an assessment district must be quantified and separated out so that the cost of the activities that are attributed to general benefit are deducted from the cost assessed against each specially benefitted parcel. Section 36609.5 of the Streets and Highways Code defines general benefit for PBID activities as "any benefit that is not a "special benefit" as defined in Section 36615.5". (See Special Benefit discussion on page 13) This analysis will evaluate and determine the level of general benefits that (1) parcels outside of the PBID, and (2) the public at large may receive.

General Benefit to Parcels Outside of PBID All the PBID activities and improvements are provided to each of the individual assessed parcels in the PBID boundary. No PBID activities will be specifically provided to any parcel outside of the PBID boundary.

In the case of the Pacific Palisades PBID all surrounding parcels that are immediately adjacent to the PBID boundary are zoned solely residential and as per State of California Streets and Highways code section 36632.(c) "*are conclusively presumed not to benefit from the improvements and services funded through these assessments...*" Since residential parcels do not have a need to improve commerce and District services are completed within the PBID boundary then there is zero general benefit to parcels outside the PBID boundary. All services provided by the District, such as the clean/beautiful program and the communication/marketing program are designed to improve the economic vitality of the commercial parcels and will provide special benefit to commercial parcels inside the District boundaries.

General Benefit to the Public At Large

The second part to the general benefit analysis is to determine if there are any general benefits to the public at large, those people that are either in the PBID boundary and not specially benefitted from the activities or people outside of the PBID boundary that may benefit from the PBID activities. In the case of the PBID, the public at large are those people that are within the PBID boundary that do not pay an assessment.

In order to calculate the general benefit the public at large may receive, the percentage of each District activity budget that may benefit the public must be determined. The table below shows the budget for Direct Programs which may benefit the public and its respective percentage of the total District budget. We then apply a Relative Benefit factor to this activity accounting for the potential benefit the general public may receive. The relative benefit factor is a basic unit of measure that compares the benefit the general public receives compared to the public that specially benefits (employees, tenants, customers) from the activity. Since the specially benefitted public receives 100% of the activities and special benefit it is assigned a relative benefit factor of 1.0 for each District activity. The general public does not directly receive any District activity and thus, are assigned a relative benefit factor less than 1.0 for each District activity. There is no scientific method to determine the relative benefit factors, however in our professional experience of over 50 years as a Registered Civil Engineer the relative benefit factors are reasonable to conclude.

In the case of the Pacific Palisades District the Direct Programs; landscape maintenance and clean streets and sidewalks is the only activity that may generally benefit the public as the

general public may appreciate the enhanced level of cleanliness as it passes through the District. The Marketing Programs are tailored to benefit the employees and tenants. Therefore based upon our experience, Direct Programs receives a relative benefit factor of 0.025 which we believe to be a reasonable factor for the general public that is not specially benefitted.

The relative benefit factor is then multiplied by the District activity's budget percentage to determine the overall benefit factor. The following table illustrates this calculation.

<u>District Activities Budget:</u>	<u>Budget</u>	<u>Percent of Total</u>	<u>x</u>	<u>Relative Benefit</u>	<u>=</u>	<u>General Benefit</u>
Budget for Direct Programs:	<u>\$92,000</u>	64.78%		0.025		1.6195%
TOTAL District Assessment Budget:	\$142,000					

For purposes of calculating the general benefit to the public at large we round that percentage to 1.62% to reflect the Direct Programs benefit to those not specially benefitted.

Total General Benefits

Using the sum of the two (2) measures of general benefit described above (0.0 + 01.62), we find that approximately 1.62% of the Direct Programs benefits may be general in nature and will be funded from sources other than special assessments.

SECTION F: COST ESTIMATE

2016 Operating Budget

The Pacific Palisades 2016 calendar year operating budget takes into consideration:

1. The improvements and activities needed to provide special benefits to each individual parcel within the District boundary (Section B),
2. The parcels that specially benefit from said improvements and activities (Section C), and
3. The costs associated with the special and general benefits conferred (Section E).

Activity	All Parcels including DWP/LAUSD	All Parcels not including DWP/LAUSD	Total Budget
Clean & Beautiful (Direct Programs)	\$92,000		\$92,000
Communication & Marketing		\$20,000	\$20,000
Management, Slow Pay, City Fees	\$30,000	\$0	\$30,000
Total Budget	\$122,000	\$20,000	\$142,000
Less General Benefit (Direct Programs)	\$1,490		\$1,490
Total Assessable Budget	\$120,510	\$20,000	\$140,510

Budget Notations

1. The cost of providing programs and services may vary depending on the market cost for those programs and services. Expenditures may require adjustment up or down to continue the intended level of programs and services. Assessments will be subject to an annual increase of up to 3% per year to address changes in the cost of providing services. The actual amount of increase will be determined by the Owners Association and will vary between 0% and 3% in any given year. Any change will be approved by the owner's association board of directors and submitted to the City within its annual planning report.
2. The cost of providing programs and services may vary depending on the market cost for those programs and services. Expenditures may require adjustment up or down to continue the intended level of programs and services. The owners association shall have the right to reallocate up to 10% by line item within the budgeted categories. The management/administration line item may only be increased by the annual increase subject to the 3% cap and cannot be increased through the 10% budget reallocation. Any change will be approved by the owner's association board of directors and submitted to the City of Los Angeles within its annual planning report. Pursuant to Section 36650 of the California Streets and Highways Code. The overall budget shall remain consistent with this Management District Plan.

SECTION G: APPORTIONMENT METHOD

In order to assess for the special benefit each parcel receives from the PBID activities a number of factors enter into the determination of how much weight is to be given to each assessment variable; parcel size, building square footage and street frontage. Equal emphasis is placed on gross parcel square footage which reflects the more substantial long term value impacts on highest and best use, building square footage which reflects the interim use of a property and is utilized to measure short and mid-term value impacts, and street frontage which reflects the degree to which a parcel receives from the activities and the cost to provide that level of benefit and then spreading the cost over the total assessable footage for the District.

The table below summarizes the assessable footages for the parcel square footage, building square footage and street frontage:

Variables	All Parcels including DWP/LAUSD	All Parcels not including DWP/LAUSD
Front Footage	12,170	10,462
Building Square Footage	763,833	710,366
Lot Square Footage	1,218,474	1,021,955

Assessment Rate Calculation:

To calculate the assessment rate District parcels are in two categories. Those that are paying for all services and those that are paying for all services except marketing. DWP and LAUSD parcels do not pay for marketing services.

	All Parcels, no marketing included	Marketing Assessment
Assessable Budget	\$120,510	\$20,000
Total Assessable Budget	\$120,510	\$20,000

Variables	All Parcels including DWP/LAUSD	All Parcels not including DWP/LAUSD
Front Footage	12,170	10,462
Building Square Footage	763,833	710,366
Lot Square Footage	1,218,474	1,021,955

Lot Footage Assessment (Assessable Budget X 33% / Lot Sq Ft)

Building Footage Assessment (Assessable Budget X 34% / Building Sq Ft)

Front Footage Assessment (Assessable Budget X 33% / Front Ft)

Assessment Rates	All Parcels not including DWP/LAUSD	DWP & LAUSD Parcels
Lot Square Footage	\$0.0391	\$0.0326
Building Square Footage	\$0.0632	\$0.0536
Front Footage	\$3.8986	\$3.2677

For example, to calculate the assessment for a parcel with a 10,000 square foot building, a 5,000 square feet of parcel, and 100 linear feet = building square footage x building square foot assessment rate, plus parcel square footage x parcel square foot assessment rate, plus parcel linear frontage x linear frontage assessment rate = the total annual parcel assessment.

$$(10,000 \times \$0.0632) + (5,000 \times \$0.0391) + (100 \times \$3.8986) = \\ \$1,217.36 \text{ initial annual parcel assessment}$$

The assessment calculation formula is the same for every parcel in the District.

Government Assessments

All publicly-owned parcels will pay their proportional share of costs based on the special benefits conferred to those individual parcels. The City of Los Angeles parcel is a parking lot and will receive all the programs of the District and will be assessed the same as the privately owned parcels. The special benefit to this parcel is an increased likelihood of increased parking revenue. The Department of Water and Power parcel is a pumping station and will only benefit from the clean and beautiful programs and their share of the administration/city fees and will only be assessed for the clean and beautiful programs and administration/city fees. The special benefit to this parcel is increased maintenance in the form of graffiti removal and litter removal which will reduce the maintenance expense for the Department of Water and Power.

Los Angeles Unified School District (LAUSD) is a k through 6 school and will only benefit from the clean and beautiful programs and their share of the administration/city fees and will only be assessed for the clean and beautiful programs and administration/city fees. The special benefit to this parcel is increased maintenance in the form of graffiti removal and litter removal which will reduce the maintenance expense for the LAUSD parcel. Article XIII D of the California Constitution was added in November of 1996 to provide for these assessments. It specifically states in Section 4(a) that "*Parcels within a district that are owned or used by any agency...shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit.*" Below is a list of the publicly-owned parcels and their respective assessments.

APN	Situs Address	Owner Names	Front Ft	Bldg Area	Lot Area	Assessment	%
4412-002-900		L A City (public parking)	60	0	9000	\$585.78	0.42%
		Total LA City				\$585.78	0.42%
4412-003-900	800 Via De La Paz	L A Unified School Dist (elem school)	1508	50267	184419	\$13,643.14	9.71%
		Total LA Unified School Dist				\$13,643.14	9.71%
4423-016-900		L A City Dept Of Water & Power(pumping station)	200	3,200	12100	\$1,220.11	0.87%
		Total LA City Dept of Water & Power				\$1,220.11	0.87%
		Total Government Assessments				\$15,449.03	10.99%

Maximum Annual Assessment Adjustments

The cost of providing programs and services may vary depending on the market cost for those programs and services. Expenditures may require adjustment up or down to continue the intended level of programs and services. Assessments will be subject to an annual increase of up to 3% per year to address changes in the cost of providing services. The actual amount of increase will be determined by the Owners Association and will vary between 0% and 3% in any given year. Any change will be approved by the owner's association board of directors and submitted to the City within its annual planning report.

The cost of providing programs and services may vary depending on the market cost for those programs and services. Expenditures may require adjustment up or down to continue the intended level of programs and services. The owners association shall have the right to reallocate up to 10% by line item within the budgeted categories. The management/administration line item may only be increased by the annual increase subject to the 3% cap and cannot be increased through the 10% budget reallocation. Any change will be approved by the owner's association board of directors and submitted to the City of Los Angeles within its annual planning report. Pursuant to Section 36650 of the California Streets and Highways Code. The overall budget shall remain consistent with this Management District Plan.

Budget Adjustment

Any annual budget surplus or deficit will be rolled into the following year's District budget. The budget will be set accordingly, within the constraints of the management plan to adjust for surpluses or deficits that are carried forward.

Future Development

As a result of continued development, the District may experience the addition or subtraction of assessable footage for parcels included and assessed within the District boundaries. The modification of parcel improvements assessed within the District may then change upwards or downwards the amount of total footage assessment for these parcels, pursuant to Government Code 53750, will be prorated to the date they receive the temporary and/or permanent certificate of occupancy.

In future years, the assessments for the special benefits bestowed upon the included BID parcels may change in accordance with the assessment methodology formula listed in the Management District Plan and Engineer's Report provided the assessment rate does not change. If the assessment formula changes and increases assessments then a Proposition 218 ballot will be required for approval of the formula changes.

Renewal and Establishment

District funds may be used for renewing the District and for reimbursement of private sector contributions of funds to establish the District.

SECTION H: ASSESSMENT ROLL

The total assessment amount for 2016 is \$140,510 apportioned to each individual assessed parcel. For a complete listing of assessed parcels, please see Attachment A: Assessment Roll, attached as a separate document.

Attachment A- Assessment Roll

APN	Situs Address	Owner Names	Front Ft	Bldg Area	Lot Area	Assessment	%
4412-002-900		L A City (public parking)	60	0	9000	\$585.78	0.42%
		Total LA City				\$585.78	0.42%
4412-003-900	800 Via De La Paz	L A Unified School Dist (elem school)	1508	50267	184419	\$13,643.14	9.71%
		Total LA Unified School Dist				\$13,643.14	9.71%
4423-016-900		L A City Dept Of Water & Power(pumping station)	200	3,200	12100	\$1,220.11	0.87%
		Total LA City Dept of Water & Power				\$1,220.11	0.87%
		Total Government Assessments				\$15,449.03	10.99%

APN	Situs Address	Front Ft	Bldg Area	Lot Area	Assessment	%
4411-001-016	15150 W Sunset Blvd	231	9099	8,280	\$ 1,799.47	1.28%
4411-001-017	15140 W Sunset Blvd	42	11731	10,450	\$ 1,313.86	0.94%
4411-001-018	890 Alma Real Dr	204	304	14,810	\$ 1,393.54	0.99%
4411-001-019		476	0	81,020	\$ 5,023.27	3.58%
4411-001-020	15120 W Sunset Blvd	0	20491	25,264	\$ 2,283.04	1.62%
4412-001-014	15400 W SUNSET BLVD	241	2,144	13,570	\$ 1,605.62	1.14%
4412-001-017	15424 W SUNSET BLVD	750	40,339	90,110	\$ 8,996.86	6.40%
4412-002-008	15244 W Sunset Blvd	70	3414	3,920	\$ 641.97	0.46%
4412-002-009	15260 Antioch St	47	2710	3,525	\$ 492.36	0.35%
4412-002-010	15270 Antioch St	214	4400	10,446	\$ 1,520.83	1.08%
4412-002-011		316	0	13,600	\$ 1,763.65	1.26%
4412-002-012	15300 W Sunset Blvd	484	29792	35,500	\$ 5,158.09	3.67%
4412-002-015	15243 La Cruz Dr	87	10356	15,240	\$ 1,589.64	1.13%
4412-002-016	864 Swarthmore Ave	464	33801	54,010	\$ 6,057.21	4.31%
4412-002-017	15239 La Cruz Dr	62	4025	3,480	\$ 632.20	0.45%
4412-002-018	15235 La Cruz Dr	219	12793	31,120	\$ 2,879.15	2.05%
4412-002-023	15200 W Sunset Blvd	251	30603	20,920	\$ 3,730.97	2.66%
4412-002-026	900 Via De La Paz	201	12932	10,094	\$ 1,995.73	1.42%
4412-003-003	872 Via de la Paz	50	3708	7,500	\$ 722.55	0.51%
4412-003-004	15326 Antioch St	127	3493	3,990	\$ 871.92	0.62%
4412-003-005	15314 Antioch St	80	3200	4,560	\$ 692.45	0.49%
4412-003-006	15300 Antioch St	257	8472	15,750	\$ 2,153.24	1.53%
4412-003-007	863 Swarthmore Ave	60	3457	9,000	\$ 804.31	0.57%
4412-003-008	859 Swarthmore Ave	40	1187	6,000	\$ 465.55	0.33%
4412-003-009	860 Via De La Paz	100	34533	15,000	\$ 3,159.27	2.25%
4412-004-015	881 Via De La Paz	206	2500	8,584	\$ 1,296.74	0.92%
4412-004-016	875 Via De La Paz	50	3107	7,400	\$ 680.64	0.48%
4412-004-017	871 Via De La Paz	50	5424	7,400	\$ 827.11	0.59%
4412-004-018	865 Via De La Paz	50	5304	7,400	\$ 819.53	0.58%
4412-004-019	859 Via De La Paz	50	3933	7,400	\$ 732.86	0.52%
4412-004-020	855 Via De La Paz	50	5280	7,400	\$ 818.01	0.58%
4412-004-021	853 Via De La Paz	50	4000	7,400	\$ 737.10	0.52%
4412-004-022	843 Via De La Paz	50	8240	7,400	\$ 1,005.12	0.72%
4412-004-023	839 Via De La Paz	50	7920	7,400	\$ 984.89	0.70%
4412-004-024	833 Via De La Paz	50	3150	7,400	\$ 683.36	0.49%
4412-004-025	827 Via De La Paz	50	3722	7,400	\$ 719.52	0.51%

4412-009-011	15240 La Cruz Dr	51	7193	11,000	\$ 1,083.58	0.77%
4412-009-012	15236 La Cruz Dr	222	43771	20,450	\$ 4,431.94	3.15%
4412-009-014	881 Alma Real Dr	150	89671	58,370	\$ 8,535.29	6.07%
4412-009-801		296	17,772	20,420	\$ 3,075.76	2.19%
4422-022-005	15401 W Sunset Blvd	231	1485	16,120	\$ 1,624.67	1.16%
4422-022-015	15441 W Sunset Blvd	190	27513	13,940	\$ 3,024.94	2.15%
4422-022-016	15415 W Sunset Blvd	75	9946	9,200	\$ 1,280.80	0.91%
4423-016-001	15333 W Sunset Blvd	50	2201	5,589	\$ 552.57	0.39%
4423-016-002	15323 W Sunset Blvd	50	3620	5,238	\$ 628.55	0.45%
4423-016-003	15317 W Sunset Blvd	50	1625	5,040	\$ 494.70	0.35%
4423-016-004	15305 W Sunset Blvd	200	3845	10,913	\$ 1,449.43	1.03%
4423-016-005	15281 W Sunset Blvd	217	912	12,200	\$ 1,380.61	0.98%
4423-016-006	15261 W Sunset Blvd	65	0	3,730	\$ 399.24	0.28%
4423-016-007	15245 W Sunset Blvd	40	12792	8,230	\$ 1,286.34	0.92%
4423-016-008	15237 W Sunset Blvd	50	4632	5,800	\$ 714.49	0.51%
4423-016-009	15231 W Sunset Blvd	40	2720	4,640	\$ 509.29	0.36%
4423-016-010	15229 W Sunset Blvd	24	1856	2,784	\$ 319.73	0.23%
4423-016-011	15219 W Sunset Blvd	50	6768	5,800	\$ 849.52	0.60%
4423-016-012	15215 W Sunset Blvd	57	7085	5,800	\$ 896.85	0.64%
4423-016-017	1013 Swarthmore Ave	50	6602	5,520	\$ 828.08	0.59%
4423-016-018	1021 Swarthmore Ave	50	3117	5,520	\$ 607.78	0.43%
4423-016-019	1027 Swarthmore Ave	59	3823	7,135	\$ 750.63	0.53%
4423-016-020	1033 Swarthmore Ave	47	4006	10,100	\$ 831.34	0.59%
4423-016-021	1037 Swarthmore Ave	100	5825	13,775	\$ 1,296.63	0.92%
4423-016-022	1049 Swarthmore Ave	146	2150	4,500	\$ 881.03	0.63%
4423-016-023	1022 Swarthmore Ave	313	11949	18,785	\$ 2,710.02	1.93%
4423-016-024	1012 Swarthmore Ave	77	5761	7,670	\$ 964.23	0.69%
4423-016-025		375	0	42,710	\$ 3,131.75	2.23%
4423-016-073	15207 W Sunset Blvd A	287	10413	7,410	\$ 2,066.84	1.47%
4423-017-003	15113 W Sunset Blvd	50	5434	4,498	\$ 714.29	0.51%
4423-017-004	15115 W Sunset Blvd	50	5200	4,498	\$ 699.50	0.50%
4423-017-005	15121 W Sunset Blvd	50	3450	4,498	\$ 588.87	0.42%
4423-017-006	15125 W Sunset Blvd	50	3270	4,210	\$ 566.23	0.40%
4423-017-008		50	0	6,500	\$ 449.05	0.32%
4423-017-009	960 Monument St	200	31327	26,000	\$ 3,776.52	2.69%
4423-017-023	15135 W Sunset Blvd	92	5921	6,210	\$ 975.75	0.69%
4423-017-024	984 Monument St 110	212	11778	8,639	\$ 1,908.78	1.36%
4423-017-026	15101 W Sunset Blvd	257	5369	9,770	\$ 1,723.30	1.23%
	Total Non-Govt Asmts				\$ 125,060.57	89.00%
	Total Govt Asmts				\$15,449.03	10.99%
	Total All Asmts				\$140,509.60	100.00%